

**REPORT OF THE AUDIT OF THE
FORMER MARTIN COUNTY
SHERIFF**

**For The Period January 1, 2002
Through January 5, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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CRIT LUALLEN
Auditor of Public Accounts

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Kelly Callahan, Martin County Judge/Executive
Honorable Darriel Young, Former Martin County Sheriff
Honorable Garmon Preece, Martin County Sheriff
Members of the Martin County Fiscal Court

The enclosed report prepared by Morgan-Franklin, LLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the former Sheriff of Martin County, Kentucky, for the period January 1, 2002 through January 5, 2003.

We engaged Morgan-Franklin, LLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Morgan-Franklin, LLC evaluated the former Martin County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER MARTIN COUNTY SHERIFF

**For The Period January 1, 2002
Through January 5, 2003**

Morgan-Franklin, LLC has completed the former Martin County Sheriff's audit for the period January 1, 2002 through January 5, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Revenues increased by \$251,142 from the prior year and disbursements increased by \$288,688.

Report Comments:

- The Former Sheriff Should Have Prepared Accurate Financial Reports And Kept Accurate Financial Records
- The Former Sheriff Should Not Have Received Profit From Use Of Public Funds Or Commingled Public And Private Funds
- The Former Sheriff's Salary Exceeded The Maximum Salary Schedule As Set By The Department For Local Government
- The Former Sheriff Should Have Presented An Annual Financial Settlement To The Fiscal Court And Should Have Published The Annual Financial Statement
- The Former Sheriff Should Not Have Exceeded His Budget
- The Former Sheriff Should Have Required The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- The Former Sheriff Should Eliminate The Deficit Of \$37,546 In His Official Fee Account
- Lacks Adequate Segregation Of Duties

Deposits:

The former Sheriff's deposits were not properly insured and collateralized by bank securities or bonds. There was no written security agreement.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES.....	3
NOTES TO FINANCIAL STATEMENT	5
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS	9
COMMENTS AND RECOMMENDATIONS	10
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15

***Morgan-Franklin, LLC
PO Box 428
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West Liberty, Kentucky 41472***

To the People of Kentucky
Honorable Ernie Fletcher, Governor
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Members of the Martin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former Sheriff of Martin County, Kentucky, for the period January, 1 2002 through January 5, 2003. This financial statement is the responsibility of the former Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Sheriff for the period January 1, 2002 through January 5, 2003, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Kelly Callahan, Martin County Judge/Executive
Honorable Darriel Young, Former Martin County Sheriff
Honorable Garmon Preece, Martin County Sheriff
Members of the Martin County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2003, on our consideration of the former Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Former Sheriff Should Have Prepared Accurate Financial Reports And Kept Accurate Financial Records
- The Former Sheriff Should Not Have Received Profit From Use Of Public Funds Or Commingled Public And Private Funds
- The Former Sheriff's Salary Exceeded The Maximum Salary Schedule As Set By The Department For Local Government
- The Former Sheriff Should Have Presented An Annual Financial Settlement To The Fiscal Court And Should Have Published The Annual Financial Statement
- The Former Sheriff Should Not Have Exceeded His Budget
- The Former Sheriff Should Have Required The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- Lacks Adequate Segregation Of Duties

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Respectfully submitted,

Morgan - Franklin, LLC

Morgan-Franklin, LLC

Audit fieldwork completed -
September 15, 2003

MARTIN COUNTY
DARRIEL YOUNG, FORMER COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Period January 1, 2002 Through January 5, 2003

Receipts

State - Kentucky Law Enforcement Foundation Program Fund		\$	6,460
State Fees For Services:			
Finance and Administration Cabinet	\$	7,689	
Cabinet For Human Resources		<u>1,188</u>	8,877
Circuit Court Clerk:			
Sheriff Security Service	\$	3,423	
Fines and Fees Collected		<u>2,137</u>	5,560
County Clerk - Delinquent Taxes			2,221
Commission On Taxes Collected			124,114
Other Fees on Tax Collection:			
10% Sheriff's Penalty	\$	59,378	
Advertising Fees		<u>1,581</u>	60,959
Fees Collected For Services:			
Auto Inspections	\$	8,127	
Accident and Police Reports		321	
Serving Papers		6,638	
Carrying Concealed Deadly Weapon Permits		<u>1,941</u>	17,027
Other:			
Miscellaneous			162
Interest Earned			1,805
Borrowed Money:			
2001 Fee Account	\$	15,000	
2002 Tax Account		<u>194,951</u>	<u>209,951</u>
Total Receipts			<u>\$ 437,136</u>

The accompanying notes are an integral part of this financial statement.

MARTIN COUNTY
DARRIEL YOUNG, FORMER COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Period January 1, 2002 Through January 5, 2003
(Continued)

Disbursements

Operating Disbursements

Personnel Services-

Gross Deputies Salaries Paid to County Treasurer	\$	112,241
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Contracted Services-

Advertising	\$ 2,528	
Contract Labor	22,945	25,473

Materials and Supplies-

Office Materials and Supplies	\$ 9,966	
Uniforms	10,991	
Other Police Supplies	38	20,995

Auto Expense-

Gasoline	\$ 11,230	
Vehicle Expense	396	
Maintenance and Repairs	21,580	
Mileage	535	33,741

Other Charges-

Postage	\$ 1,360	
Bond	558	
Carrying Concealed Deadly Weapon Permits	2,541	
Miscellaneous	3,805	
Computer/Cell Phone/Pager	1,758	10,022

Debt Service:

Paid Obligations:

2001 Fee Account	\$ 15,000	
2002 Tax Account	148,968	

Unpaid Obligations:

Due 2002 Tax Account	45,983	209,951
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Total Disbursements	\$	412,423
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Net Receipts	\$	24,713
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Less: Statutory Maximum		62,259
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Excess of Disbursements Over Receipts	\$	(37,546)
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The accompanying notes are an integral part of this financial statement.

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at January 5, 2003.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year.

MARTIN COUNTY
 NOTES TO FINANCIAL STATEMENT
 January 5, 2003
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of December 18, 2002, the bank balances were not fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former Sheriff's agent in the former Sheriff's name, or provided surety bond which named the former Sheriff as beneficiary/obligee on the bond. As of December 18, 2002, the date of the highest balance, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$1,316,667 of public funds uninsured and unsecured. In addition, the former Sheriff did not have a written agreement with the depository institution securing the former Sheriff's interest in the collateral.

The former Sheriff's deposits are categorized below to give an indication of the level of risk assumed by the county official as of December 18, 2002:

	<u>Bank Balance</u>
FDIC insurance	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	1,092,906
Uncollateralized and uninsured	<u>1,316,667</u>
Total	<u>\$ 2,509,573</u>

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT
January 5, 2003
(Continued)

Note 4. Community Oriented Policing Services Grant

The former Sheriff did not receive prior written approval from the fiscal court to obtain the Community Oriented Policing Services (COPS) Grant. The former Sheriff received funds from a COPS grant during calendar year 1995, 1996 and 1997. The Department of Justice has noted the former Sheriff's department applied for the grant in violation of Grant Assurance #1, which states that the former Sheriff's department is legally and officially authorized by the appropriate governing body to apply for the grant. The COPS Grant has been discontinued and the U.S. Department of Justice is asking that all grant receipts be returned. The former Sheriff contends that the fiscal court should be responsible for repayment. Should the former Sheriff's office be liable for repayment of the grant, partial repayment may be made from excess fees paid to the fiscal court for each year of grant receipts. This situation may affect excess fees reported for 1995, 1996 and 1997. However, repayment is limited to the extent of actual grant receipts for each year. If excess fees for any year do not cover repayment of the grant, the former Sheriff personally or the fiscal court may be liable for the balance. At this time, the outcome of this situation is unknown. The fiscal court has retroactively approved the former Sheriff's application for this grant. Grant receipts and disbursements for 1995, 1996 and 1997 were \$89,049 and excess fees for this period were \$53,137. The former Sheriff could be personally liable for the difference of \$35,912 unless the fiscal court chose to pay. As of audit date, the Department of Justice gives no indication that this issue has been resolved.

Note 5. Deficit Balance

Based on available records, there is a \$37,546 deficit in the former Sheriff's official fee account. This deficit results from inappropriate transfers from the 2002 Tax Account exceeding repayment of those transfers in the amount of \$45,983. The former Sheriff has assets of \$8,437 which offset the \$45,983 unpaid transfers to result in a deficit of \$37,546. A Schedule of Excess of Liabilities Over Assets is included in this report as a supplemental schedule.

MARTIN COUNTY
DARRIEL YOUNG, FORMER COUNTY SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

January 5, 2003

Assets

Cash in Bank	\$ 162,486	
Receivables Collected	<u>168,186</u>	
Total Assets		\$ 330,672

Liabilities

Paid Obligations:

Outstanding Checks	\$ 8,404	
Paid Liabilities	<u>313,831</u>	
Total Paid Obligations		<u>\$ 322,235</u>

Fund Balance Before Unpaid Obligations		\$ 8,437
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Unpaid Obligations		
Amounts Owed 2002 Tax Account		<u>45,983</u>

Total Fund Deficit as of January 5, 2003		<u><u>\$ (37,546)</u></u>
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COMMENTS AND RECOMMENDATIONS

MARTIN COUNTY
DARRIEL YOUNG, FORMER MARTIN COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period January 1, 2002 Through January 5, 2003

STATE LAWS AND REGULATIONS:

The Former Sheriff Should Have Prepared Accurate Financial Reports And Should Have Kept Accurate Financial Records

Several large adjustments were required to reconcile receipts and disbursements to the cash proof. All deposits and disbursements should be recorded in the general ledger.

Former Sheriff Darriel Young's Response:

O.K.

The Former Sheriff Should Not Have Received Profit From Use Of Public Funds Or Commingled Public And Private Funds

Per KRS 64.850, no county official may deposit public funds with individuals or private funds in any bank or other depository or withdraw public funds for any purpose other than that for which they were received and deposited. Furthermore, per KRS 61.190, no public officer shall receive, directly or indirectly any interest, profits, or perquisites arising from the use or loan of public funds in his hands, or to be raised through his agency. According to Lillie Young, office assistant and the Sheriff's wife, subsequent to January 5, 2003, she transferred all monies from all accounts held in the Sheriff's name into her personal savings account. As of January 5, 2003, the balance in all accounts held in the Sheriff's name was \$19,574. Mrs. Young stated that she would contact the state to determine what to do with the remaining amounts. Upon a second confirmation of the account balances of the former Sheriff's bank accounts, we found that as of our audit report date all bank balances were \$0 except for the 2002 fee and tax settlement accounts which had balances totaling \$8,675. We recommend that the former Sheriff return all public funds from his personal account to official operating accounts and distribute these monies.

Former Sheriff Darriel Young's Response:

O.K.

The Former Sheriff's Salary Exceeded Maximum Salary Schedule As Set By The Department For Local Government

Per KRS 64.527, maximum salary schedule for sheriffs, the Department for Local Government will set the maximum salary limitations for County Sheriffs. The Martin County Sheriff was to be paid no more than \$62,259 according to this schedule. However, the former Sheriff was paid \$63,912 during 2002. Therefore, the former Sheriff appears to have been overpaid \$1,653. We recommend that the Sheriff's office comply with KRS 64.527 and that the Former sheriff repay \$1,653 to the 2002 fee account.

Former Sheriff Darriel Young's Response:

O.K.

MARTIN COUNTY
DARRIEL YOUNG, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period January 1, 2002 Through January 5, 2003
(Continued)

The Former Sheriff Should Have Presented An Annual Financial Settlement To The Fiscal Court
And Should Have Published The Annual Financial Statement

The former Sheriff did not present an annual financial settlement to the fiscal court and he did not publish an annual financial statement. KRS 134.310 requires a statement of receipts and disbursements for all funds of the Sheriff's office be submitted to the fiscal court at the time the Sheriff makes his final settlement. KRS 424.220(6) requires the financial statement be published within sixty (60) days after the close of the calendar year. We recommend the former Sheriff comply with KRS 134.310 and KRS 424.220(6).

Former Sheriff Darriel Young's Response:

O.K.

The Former Sheriff Should Not Have Exceeded His Budget

The former Sheriff's total actual expenditures exceeded total budgeted expenditures. We recommend that the Sheriff's office monitor the budget and amend as deemed necessary.

Former Sheriff Darriel Young's Response:

O.K.

The Former Sheriff Should Have Required The Depository Institution To Pledge Or Provide
Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On December 18, 2002, \$1,316,667 of the former Sheriff's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The Former Sheriff should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the Sheriff's Office enter into a written agreement with the depository institution to secure the Sheriff's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Former Sheriff Darriel Young's Response:

O.K.

MARTIN COUNTY
DARRIEL YOUNG, FORMER COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period January 1, 2002 Through January 5, 2003
(Continued)

The Former Sheriff Should Not Have Transferred Money From The Tax Account To The Fee Account Other Than For Commissions Earned

Pursuant to KRS 134.170 (3), Other than for investments and expenditures permitted by KRS 134.140, the sheriff shall not apply or use any money received by him for any purpose other than that for which the money was paid or collected. Revenues collected in the tax account are supposed to be distributed to the districts or refunded to taxpayers within a timely manner. These revenues should not be transferred to the fee account to be used for operating purposes. The former Sheriff transferred \$194,951 from his 2002 tax account to his 2002 fee account for operating purposes. The former Sheriff transferred \$148,968 of these funds back to the 2002 tax account from the 2002 fee account. These transactions left a receivable from the fee account of \$45,983. We recommend that the former Sheriff pay the liability of \$45,983 from the fee account to the tax account.

Former Sheriff Darriel Young's Response:

O.K.

The Former Sheriff Should Eliminate The Deficit Of \$37,546 In His Official Fee Account

The former Sheriff has a deficit of \$37,546 in his official fee account. These deficits resulted from the inappropriate use of tax money for operating expenses, which are required to be paid back to the tax account. The former Sheriff's 2002 fee account still owes \$45,983 to the 2002 tax account. The former Sheriff's 2002 fee account has assets of \$8,437 which offset the \$45,983 unpaid transfer to result in a deficit of \$37,546. We recommend the former Sheriff deposit personal funds of \$37,546 to his official fee account to eliminate this deficit.

Former Sheriff Darriel Young's Response:

O.K.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

Lacks Adequate Segregation Of Duties

During our audit we noted the former Sheriff's internal control structure lacked an adequate segregation of duties. This deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. In our judgment, this condition could have adversely affected the former Sheriff's ability to record, process, summarize, and report accurate financial information.

MARTIN COUNTY
DARRIEL YOUNG, FORMER COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period January 1, 2002 Through January 5, 2003
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS: (Continued)

Lacks Adequate Segregation Of Duties (Continued)

We recommend the Sheriff's Office obtain additional staff to divide the responsibilities or implement the following compensating controls that would help offset the lack of adequate segregation of duties:

- Cash periodically recounted and deposited by the Sheriff
- Periodic reconciliation of reports to source documents and receipts and disbursements ledgers by the Sheriff
- All disbursement checks are to be signed by two people and one must be the Sheriff
- The Sheriff examines payroll checks prepared by an employee and distributes checks to employees
- All disbursements checks prepared by an employee are examined by the Sheriff for proper documentation
- The Sheriff mails disbursements
- The Sheriff Or Someone Independent Or The Sheriff's Office Prepares Bank Reconciliations

Former Sheriff Darriel Young's Response:

O.K.

PRIOR YEAR:

The Former Sheriff Should Have Paid His Expenses In A Timely Manner

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

***Morgan-Franklin, LLC
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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the former Martin County Sheriff for the period January 1, 2002 through January 5, 2003, and have issued our report thereon dated September 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Martin County Sheriff's financial statement for the period January 1, 2002 through January 5, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Former Sheriff Should Have Prepared Accurate Financial Reports And Kept Accurate Financial Records
- The Former Sheriff Should Not Have Received Profit From Use Of Public Funds Or Commingled Public And Private Funds
- The Former Sheriff's Salary Exceeded The Maximum Salary Schedule As Set By The Department For Local Government
- The Former Sheriff Should Have Presented An Annual Financial Settlement To The Fiscal Court And Should Have Published The Annual Financial Statement
- The Former Sheriff Should Not Have Exceeded His Budget
- The Former Sheriff Should Eliminate The Deficit Of \$37,546 In His Official Fee Account
- The Former Sheriff Should Have Required The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Martin County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

Morgan - Franklin, LLC

Morgan-Franklin, LLC

Audit fieldwork completed -
September 15, 2003

